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To: Supervisor Hilda L. Solis, Chair
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Supervisor Don Knabe
Supervisor Michael D. Antonovich

From: Sachi A. Hamai
Chief Executive Officer

SACRAMENTO UPDATE

Executive Summary

This memorandum contains a report on the following:

- **Pursuit of County Position to Support SB 879 (Beall).** This measure would establish the Affordable Housing Bond Act of 2016, which, if adopted, would authorize the issuance of \$3.0 billion in general obligation bonds, upon approval by voters at the November 8, 2016 statewide general election; and provide funding to finance various existing State housing programs, as well as infill infrastructure financing and affordable housing matching grant programs. Therefore, unless otherwise directed, consistent with the December 8, 2015 Board approval of the County's 2015-16 State Legislative Agenda, which included advocating for proposals that secure State assistance for establishment of a permanent, sustainable source of funding for affordable housing as a County advocacy priority, **the Sacramento advocates will support SB 879.**

The deadline for placing statewide ballot measures on the November 2016 ballot was June 30, 2016. However, SB 879 contains an exception and an urgency clause which would allow placement of the proposed measure on the November 8, 2016 ballot, if approved by the Legislature and signed by the Governor.

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Pursuit of County Position

SB 879 (Beall), which as amended on June 16, 2016, would establish the Affordable Housing Bond Act of 2016, which, if adopted, would authorize the issuance of \$3.0 billion in general obligation bonds, upon approval by voters at the November 8, 2016 statewide general election; and would utilize the funds to finance various existing State housing programs, as well as infill infrastructure financing and affordable housing matching grant programs.

SB 879 would require a two-thirds vote of the Legislature for passage. If passed by the Legislature and signed by the Governor, the bond measure would be placed on the November 8, 2016 ballot for voter consideration.

Under existing law, various programs provide assistance for, among other things, emergency housing, multi-family housing, farmworker housing, home ownership for very low and low-income households, and down payment assistance for first-time home buyers. Existing law also authorizes the issuance of bonds in specified amounts pursuant to the State General Obligation Bond Law and requires that proceeds from the sale of these bonds be used to finance various existing housing programs, capital outlay related to infill development, brownfield cleanup that promotes infill development, and housing-related parks.

If enacted and approved by the voters, SB 879 would create the Affordable Housing Bond Act Trust Fund of 2016 and designate the proceeds of the bonds issued and sold for the following purposes:

- **Multi-Family Housing Program - \$1.5 billion**, continuously appropriated, to be expended to assist in the new construction, rehabilitation, and preservation of permanent and transitional rental housing for individuals with incomes of up to 60 percent of the area median income.
- **Transit-Oriented Development and Infill Infrastructure - \$600.0 million** for the following purposes:
 - **\$300.0 million**, upon appropriation by the Legislature, for the Transit-Oriented Development Implementation Program, which provides assistance to cities, counties, cities and counties, transit agencies, and developers for the purpose of developing or facilitating the development of higher density uses within close proximity to transit stations that will increase public transit ridership; and

- **\$300.0 million**, upon appropriation by the Legislature and subject to any other conditions and criteria that the Legislature provides for by statute, for infill incentive grants to assist in the new construction and rehabilitation of infrastructure that supports high-density affordable and mixed-income housing in locations designated as infill.
- **Special Populations Housing - \$600.0 million** to be deposited in the Special Populations Housing Account for the following purposes:
 - **\$300.0 million** to be continuously appropriated for the Joe Serna, Jr. Farmworker Housing Grant Fund; and
 - **\$300.0 million**, upon appropriation by the Legislature and subject to any other conditions and criteria that the Legislature provides for by statute, for the Local Housing Trust Fund Matching Grant Program to provide matching grants to local public agencies and nonprofit organizations that raise money for affordable housing.
- **CalHOME Program - \$300.0 million**, continuously appropriated, to provide direct, forgivable loans to assist development projects involving multiple home ownership units, including single-family subdivisions, for self-help mortgage assistance programs, and for manufactured homes.

SB 879 also would authorize the Legislature to amend the programs to which funds are or have been allocated by the bond act, to improve the efficiency and effectiveness or to further the goals of the programs.

If enacted, the Affordable Housing Bond Act of 2016 would be the first voter-approved bonds to support the construction of affordable housing since Proposition 46 of 2002 and Proposition 1C of 2006, which together provided \$4.95 billion for affordable housing. According to the Assembly Housing and Community Development Committee, those funds financed the construction, rehabilitation, and preservation of 57,220 affordable apartments, including 2,500 supportive homes for people experiencing homelessness, and over 11,600 shelter spaces, and also helped 57,290 families become or remain homeowners.

According to the Assembly Appropriations Committee analysis, the annual cost to the State General Fund for principal and interest payments will be between \$163.0 million and \$195.0 million during the bond repayment periods (depending on the interest rate).

The Community Development Commission (CDC) reports that SB 879 would extend existing programs administered by the California Housing and Community Development Department and would provide much-needed resources to fund infrastructure costs related to infill housing development. The CDC notes that the bill proposes to allocate \$300 million of the bond for transit-oriented development (TOD) projects, which are also eligible for funding from the State's Affordable Housing and Sustainable Communities (AHSC) funding stream (i.e., cap and trade revenue). The CDC indicates that the author may want to consider including language to release those funds for other eligible purposes, if the AHSC program is providing sufficient funding for TOD projects.

The Department of Mental Health (DMH) reports that SB 879 identifies some of the vulnerable populations that should benefit from an expansion of the State's housing stock, including homeless and low-income earners, foster and at-risk youth, persons with developmental and physical disabilities, the elderly, single parents with children, and survivors of domestic violence. DMH suggests that the bill be amended to also specifically include persons with mental illness among the State's vulnerable populations that would be eligible to benefit from any housing expansion.

This office supports SB 879. Therefore, unless otherwise directed, consistent with the December 8, 2015 Board approval of the County's 2015-16 State Legislative Agenda, which included advocating for proposals that secure State assistance for establishment of a permanent, sustainable source of funding for affordable housing as a County advocacy priority, **the Sacramento advocates will support SB 879.**

SB 879 is supported by the: Burbank Housing Development; California Coalition for Rural Housing; California Economic Summit; California Housing Consortium; California Housing Partnership Corporation; City and County of San Francisco; City of San Jose; City of Santa Monica; Housing First Community; League of California Cities; Nonprofit Housing Association of Northern California; and Sonoma County Board of Supervisors, among others. This measure is opposed by the Howard Jarvis Taxpayers Association.

SB 879 was placed on the Assembly Appropriations Committee suspense file on June 29, 2016, and it will likely be heard in early August once the Legislature returns from its summer recess.

We will continue to keep you advised.

SAH:JJ:MR
VE:AO:lm

c: All Department Heads
Legislative Strategist